



Department of Veterans Affairs

Financial Policy

Volume II

Appropriations, Funds, and Related Information

Chapter 2F

Funds from Dedicated Collections

Approved:

Jon J. Rychalski
Assistant Secretary for Management
and Chief Financial Officer

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0201 Overview

This chapter establishes the Department of Veterans Affairs' (VA) financial policies relating to funds from dedicated collections. Funds from dedicated collections are specifically identified revenues and other financing sources that are required by statute to be used for designated activities, benefits, or purposes.

Key points covered in this chapter:

- VA will comply with the classification, accounting, and reporting requirements for funds from dedicated collections as defined in Statements of Federal Financial and Accounting Standards (SFFAS) 27, Identifying and Reporting Funds from Dedicated Collections, SFFAS 43, Dedicated Collections: Amending SFFAS 27 Identifying and Reporting Earmarked Funds, the Treasury Financial Manual (TFM), and Office of Management and Budget (OMB) Circular A-136, Financial Reporting Requirements.
- Funds from dedicated collections must be classified in a statute, unified budget or both, as a revolving, special, or trust fund (see Appendix B).;
- VA will account for and report on the receipt, use, and retention of dedicated funds separately from general revenues;
- VA will retain funds from dedicated collections not used in the current period for future use to finance designated activities, benefits or purposes for an indefinite period of time.

0202 Revisions

See Appendix A for a full listing of previous revisions to this policy.

Section	Revision	Office	Reason for Change	Effective Date
Various	Reformatted to new policy format and completed five-year update	OFP (047G)	Reorganized chapter layout	April 2021

0203 Definitions

Exchange Revenues – Inflows of resources that the entity has earned. Exchange revenues arise when an entity provides goods and/or services in exchange for payment. Another term for "exchange revenue" is "earned revenue."

Fund – A fiscal and accounting entity with a self-balancing set of accounts for recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of

carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

Funds from dedicated collections – Funds financed by specifically identified revenues, provided to the government by non-Federal sources, often supplemented by other financing sources, which remain available over time and meet the three criteria described in both SFFAS 27 and SFFAS 43. These funds are required by statute to be used for designated activities, benefits or purposes and must be accounted for separately from the Government's general revenues.

Non-exchange Revenues – Inflows of resources that the Federal Government has not earned but received due to legislation or regulation such as, taxes, duties, fines, penalties and authorization to receive donations. Donations may be financial resources, such as cash or securities, or nonfinancial resources such as land or buildings.

No-Year Appropriations – Budget authority that remains available for obligation for an indefinite period of time. A no-year appropriation is usually identified by language such as “to remain available until expended.”

Other Financing Sources – Financing sources, other than exchange and non-exchange revenues, that provide inflows of resources (e.g., transfers of assets from other Government entities, imputed financing from costs absorbed by others).

Public Enterprise Funds – Accounts where receipts come primarily from sources outside the Government.

Revolving Fund – A fund established by Congress to finance a cycle of business operations through fees charged for goods or services provided.

Statements of Federal Financial Accounting Standards (SFFAS) – Accounting standards for the Federal Government recommended by the Federal Accounting Standards Advisory Board (FASAB) and approved by the Director of the Office of Management and Budget (OMB), the Secretary of the Treasury, and the Comptroller General.

Trust Fund – A type of account, designated by law as a trust fund, for receipts and/or offsetting receipts dedicated for specific purposes and for the expenditure of these receipts. Trust funds do not involve a fiduciary relationship with an individual or group but are designated exclusively for a specific activity, benefit, or purpose.

Unified Budget – The unified budget should, as conceived by the President's Commission, take in the full range of federal activities, both on-budget and off-budget items. Most spending, including interest on the public debt, is on-budget; while spending on programs with dedicated taxes is considered off-budget (i.e., Social Security and the post office).

0204 Roles and Responsibilities

Under Secretaries, Assistant Secretaries, Chief Financial Officers, Fiscal Officers, Chief Accountants and other key officials are responsible for ensuring compliance with the policies and procedures set forth in this chapter.

Administrations and Staff Offices are responsible for ensuring appropriate program management of funds from dedicated collections. Administrations and Staff offices are also responsible for ensuring the proper classification, accounting, and use of funds from dedicated collections.

Office of Financial Reporting (OFR) is responsible for preparing and submitting VA's Agency Financial Report (AFR) and will ensure funds from dedicated collections are accurately reported on the AFR.

0205 Policies

020501 General Policies

- A. VA's funds from dedicated collections must meet the three required criteria as defined in SFFAS 27 and SFFAS 43. Specifically, to be as considered funds from dedicated collections, the collections must have:
 - A statute committing the Federal Government to use specifically identified revenues and/or other financing sources that are originally provided to the Federal Government by a non-federal source only for designated activities, benefits or purposes;
 - Explicit authority for the fund to retain revenues and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and
 - A requirement to account for and report on the receipt, use, and retention of the revenues and/or other financing sources that distinguishes the fund from the Federal Government's general revenues.
- B. VA's funds from dedicated collections revenue and other financing sources are material public sources that will require disclosure and program management responsibility within the Veterans Health Administration (VHA), Veterans Benefits Administration (VBA), National Cemetery Administration (NCA), and affected Staff Offices.
- C. VA will ensure the funds are reserved or restricted to the designated activity, benefit, or purpose for which they are collected.

- D. VA will not classify collections related to fiduciary activities (e.g., personal Funds of Patients held by VA for patients hospitalized at VA facilities) as funds from dedicated collections. The difference between funds from dedicated collections and funds from fiduciary activities is one of ownership, funds from dedicated collections are government-owned and fiduciary funds are not.
- E. VA will not classify or report as funds from dedicated collections any fund established to account for pensions or other postemployment retirement benefits for VA employees as such funds are employer-employee transactions covered by SFFAS 5, Accounting for Liabilities of the Federal Government.

020502 Budget Authority and Accounting

- A. VA will account for funds from dedicated collections as no-year appropriations. Funds from dedicated collections may be given authority to make expenditures by means of a permanent indefinite appropriation, often enacted by Congressional legislation.
- B. VA's funds from dedicated collections will fall within one of three fund classifications: public enterprise (a type of revolving fund), special, or trust (see Appendix B).

020503 Revenue and Other Financing Sources

- A. In some instances, specifically identified revenues or other financing sources will be collected, from a non-federal source, by one agency and transferred or appropriated to another. For example, Servicemen's Group Life Insurance (SGLI) premiums are collected by the Department of Defense and transferred to the appropriate VA funds from dedicated collections account. The transfer process does not change the nature of the revenue or other financing source (i.e., specifically identified revenues or other financing sources originally collected from a non-federal source).
- B. VA will recognize exchange revenue for funds from dedicated collections when earned from other Federal Agencies or the public for business-type activities. Examples include Servicemember contributions for the reimbursement of education benefit programs; insurance revenue from insurance policy premiums paid by policyholders; excess contingency reserve funds for the Veterans' Group Life Insurance (VGLI) and SGLI programs; and housing revenue from interest earned on direct loans.
- C. VA will recognize non-exchange revenue as an inflow of resources when the collection of funds is probable (i.e., VA has established a specifically identifiable,

legally enforceable claim to cash or assets) and the amount can reasonably be estimated.

- D. Refer to VA Financial Policy Volume IV, Revenues and Expenses, Chapter 1 Revenues and Imputed Financing Sources for additional information on Exchange and Non-Exchange Revenue.

020504 Investments

- A. VA will properly account for, report, and disclose investment transactions related to funds for dedicated collections.
- B. When authorized, VA will invest in Treasury securities, which are assets of funds from dedicated collections. These investments are available for authorized expenditures when redeemed. Refer to VA Financial Policy Volume V, Chapter 5 – Investments, for additional information.
- C. VA's investments in Treasury securities for funds from dedicated collections will reflect amounts VA received for the various programs and will be accompanied by a note explaining the following:
- Treasury does not set aside assets to pay future expenditures associated with funds from dedicated collections. Instead, Treasury uses the cash generated from funds from dedicated collections for general Government purposes.
 - Treasury securities are issued to the fund from dedicated collections as evidence of dedicated receipts and provide the fund with the authority to draw upon Treasury for future authorized expenditures (although for some funds, this is subject to future appropriation).
 - Treasury securities held by a fund from dedicated collections are an asset of the fund and a liability of Treasury and as such, are eliminated in the U.S. Government-wide financial statements.

020505 Financial Reporting and Disclosure

- A. VA will report on and disclose all funds from dedicated collections under its program management responsibility in accordance with OMB Circular A-136; SFFAS 27; SFFAS 43, TFM Volume 1, Part 2, Chapter 4700, and VA Financial Policy Volume VII, Financial Reporting, Chapter 1.
- B. Funds from dedicated collections will be aggregated in VA's consolidated financial statements and included in the financial statements notes.
- C. If VA reports a different portion of a program funded by dedicated collections than it reported in prior years, it should not re-state its prior year financial statements. It

should disclose the change. This applies if VA does not report a fund from dedicated collections, that it reported in the prior year. It also applies if VA reports a fund from dedicated collections that it did not report in the prior year.

- D. Although special funds from dedicated collections are usually the responsibility of a single entity, management responsibility for some special funds is shared by two or more entities. Under such circumstances, VA still must identify all special funds for which it has management responsibility, either by a list, official title or a statement, indicating where the information can be obtained. VA will provide specific information on special funds, including revenue sources, assets and liabilities, and changes in net position.

0206 Authorities and References

[31 U.S.C. § 1321, Trust Funds](#)

[38 U.S.C. § 1729A, Department of Veterans Affairs Medical Care Collections Fund](#)

[38 U.S.C. § 1920, National Service Life Insurance Fund](#)

[38 U.S.C. § 1923, Veterans Special Life Insurance](#)

[38 U.S.C. § 1922, Service-Disabled Veterans' Insurance](#)

[38 U.S.C. § 1925, Limited period for acquiring insurance](#)

[38 U.S.C. § 1955, United States Government Life Insurance Fund](#)

[38 U.S.C. § 1965 - § 1980A, Servicemembers' Group Life Insurance](#)

[38 U.S.C. § 2407, Authority to accept and maintain suitable memorials](#)

[38 U.S.C. § 2412, Lease of land and buildings, reference to National Cemetery Administration Facilities Operation Fund](#)

[38 U.S.C. § 3222, Contributions; matching fund, Post-Vietnam Era, Veterans Education Account](#)

[38 U.S.C. § 78, Veterans' Canteen Service](#)

[38 U.S.C. § 8301, Authority to accept gifts, devises, and bequests](#)

[38 U.S.C. § 8502, Disposition of unclaimed personal property](#)

[OMB Circular A-136, Financial Reporting Requirements - Revised](#)

[Statement of Federal Financial Accounting Standards \(SFFAS\), 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting](#)

[SFFAS 27, Identifying and Reporting Funds from Dedicated Collections](#)

[SFFAS 43, Dedicated Collections: Amending SFFAS 27, Identifying and Reporting Earmarked Funds](#)

[Treasury Bureau of the Fiscal Service, Federal Trust Fund Accounting Guide](#)

[Treasury Federal Account Symbols and Titles \(FAST\) Book](#)

[Treasury Financial Manual \(TFM\) Volume 1, Part 2, Central Accounting and Reporting](#)

[VA Financial Policy Volume IV, Revenues and Expenses, Chapter 1 – Revenues and Imputed Financing Sources](#)

[VA Financial Policy Volume V, Assets, Chapter 5 – Investments](#)

[VA Financial Policy Volume VII, Financial Reporting, Chapter 1 – Financial Statement Reporting](#)

0207 Rescissions

VA Financial Policy, Volume II, Chapter 2F – Funds from Dedicated Collections dated July 2013.

0208 Questions

Questions concerning these financial policies and procedures should be directed to the following points of contact:

VHA	VHA Accounting Policy (Outlook)
VHA	VAFSC Nationwide Accounting (Outlook)
VBA	VAVBAWAS/CO/FINREP (Outlook)
VBA	VAVBAWAS/CO/OPERATIONS (Outlook)
NCA	NCA Financial Policy Group (Outlook)
NCA	NCA Budget Service (Outlook)
All Others	OFP Accounting Policy (Outlook)

Appendix A: Previous Policy Revisions

Previous policy versions were in a different numerical and sequential format. Sections have been moved, revised, and removed in the updated version. Contact the Office of Financial Policy for specific questions on the history of revisions to this policy, or to obtain copies of archived versions.

Section	Revision	Office	Effective Date
Overall	Changed Vol V Assets Ch 4 to Vol II Appropriations, Funds and Related Information, Ch 2F	APPS (047GA)	July 2013
Overall	Changed the term “earmarked funds” to “funds from dedicated collections”.	APPS (047GA)	July 2013
0201	Reworded per SFFAS 43.	APPS (047GA)	July 2013
0201	Moved sections related to classification and reporting to Appendix A.	APPS (047GA)	July 2013
0202	Moved detailed information on reporting (including new clarifications in SFFAS 43) to the Consolidated Financial Statement (C.F.S.) policy chapter.	APPS (047GA)	July 2013
0203	Updated the hyperlinks and verified the terms.	APPS (047GA)	July 2013
020403	Updated the paragraph to be consistent with other policy chapters.	APPS (047GA)	July 2013
0205	Moved detailed information on reporting to the C.F.S. policy chapter and renumbered the sections.	APPS (047GA)	July 2013
020501	Summarized A, B, C, D, E into one paragraph and moved detailed information to the C.F.S. policy chapter.	APPS (047GA)	July 2013
020502	Summarized A, B, C, D, E into one paragraph and moved detailed information to the C.F.S. policy chapter.	APPS (047GA)	July 2013
0206	Updated the definitions per the changes in SFFAS 43.	APPS (047GA)	July 2013
0207	Added “0207 RESCISSIONS”.	APPS (047GA)	July 2013

Section	Revision	Office	Effective Date
0209	Added “0209 REVISIONS”.	APPS (047GA)	July 2013
Appendix A	Moved the appendix to the C.F.S. policy chapter and added New Appendix: Classification and Reporting of Funds from Dedicated Collections.	APPS (047GA)	July 2013
Appendix B	Separated by fund type and added it to Appendix A.	APPS (047GA)	July 2013

Appendix B: VA's Funds from Dedicated Collections

- A. The following chart displays the funds from dedicated collections groups used in Federal reporting to the Treasury and OMB, and the correlation to SFFAS 27 (as amended by SFFAS 43) reporting requirements for specific funds.

Fund Groups Used in Federal Reporting

Fund Groups and Major Classes	Generally Subject to SFFAS 27 (as amended by SFFAS 43) Reporting Requirements
Revolving Funds4000-4999 <i>Public Enterprise Funds:</i> All Other Public Enterprise Funds	Yes
Special Funds5000-5999	Yes
Trust Funds8000-8999	Yes

- B. Revolving funds are authorized by specific provisions of law to finance a continuing cycle of business-type operations. The receipts are credited directly to the revolving fund as offsetting collections and are available for expenditure without further action by Congress. Treasury classifies the receipts as: (1) intra-Governmental funds, where receipts come primarily from other appropriations or funds between Federal agencies, or (2) public enterprise funds, where receipts come primarily from sources outside the Government. Of these two types of receipts, some, but not all, of the public enterprise funds are funds from dedicated collections.

VA Revolving Funds Accounts

036X4009 Servicemen's Group Life Insurance Fund, Veterans Affairs (VBA)
Insurance – Active duty, ready and retired reservists, and cadets attending service academies and ROTC.

036X4010 Veterans Reopened Insurance Fund, Veterans Affairs (VBA)
Insurance – World War II and Korean Veterans.

036X4012 Service-Disabled Veterans Insurance Fund, Veterans Affairs (VBA)
Insurance – Veterans with service-connected disabilities.

036X4014 Canteen Service Revolving Fund, Veterans Affairs (VHA)
Medical Care – Operates the canteen services at hospitals.

- C. Special funds consist of receipt and expenditure accounts, authorized for use for special purposes. The receipt account represents collections dedicated by law and is

not generated from a continuing cycle of business-type operations. These collections are presented in the Budget of the United States Government as either Governmental (budget) receipts or offsetting receipts. The expenditure account is an appropriation account that records appropriations, obligations and outlays financed by the proceeds of special fund receipts.

VA Special Funds Accounts

036X5287 Medical Care Collections Fund, Veterans Affairs (VHA)
Medical Care – Third-party and patient copayments for medical services.

036X5392 National Cemetery Administration Facilities Operation Fund, Veterans Affairs (NCA)
Burial – Proceeds benefit land and buildings.

- D. Trust funds account for the receipt and expenditure of monies by the Government for carrying out specific purposes and programs in accordance with the terms of a statute that designated the fund as either a trust fund or a vehicle for carrying out the stipulations of a trust agreement where the nation is the beneficiary. Similar to special funds and certain public enterprise revolving funds, trust funds from dedicated collections are for specific spending purposes. The Federal budget meaning of the term “trust,” as applied to trust fund accounts, differs significantly from its private sector usage. In the private sector, the beneficiary of a trust usually owns the trust’s assets, which are managed by a trustee who must follow the trust stipulations. In contrast, the Federal Government owns the assets of most Federal trust funds and can raise or lower future trust fund collections and payments or change the purposes for which the collections are to be used by changing laws.
1. Trust funds normally consist of one or more receipt accounts to record receipts and an expenditure account to record the use of the receipts. Similar to special funds, large trust funds may have multiple expenditure accounts. A few trust funds, however, such as the Veterans Special Life Insurance fund, are established as revolving funds.
 2. Treasury credits trust fund accounts with receipts generated by the terms of a trust agreement or statute that designates the fund as a trust fund. At the point of collection, these receipts are either available immediately or unavailable for expenditure, depending on statutory requirements. Treasury establishes trust fund expenditure accounts to record amounts appropriated from trust fund receipts. VA may expend these receipts for specific purposes or programs according to the terms of a trust agreement or statute.

VA Trust Funds Accounts

- 036X8129 Department of Veterans Affairs Cemetery Gift Fund, Veterans Affairs (NCA)
Burial – Donations for Veterans cemeteries.
- 036X8132 National Service Life Insurance Fund, Veterans Affairs (VBA)
Insurance – Premiums insure WWII Veterans.
- 036X8133 Post-Vietnam Era, Veterans Education Account, Veterans Affairs (VBA)
Benefits – Subsidizes the cost of education to Veterans.
- 036X8150 United States Government Life Insurance Fund, Veterans Affairs (VBA)
Insurance – Premiums insure WWI Veterans.
- 036X8180 General Post Fund, National Homes, Veterans Affairs (VHA)
Medical Care – Donations for patient benefits.
- 036X8455 Veterans Special Life Insurance Fund, Trust Revolving Fund, Veterans Affairs (VBA)
Insurance – Premiums insure Korean conflict veterans.